



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	HB0035	Title:	Revolving loan program to fund recycling machinery and equipment
Primary Sponsor:	Dickenson, Sue	Status:	As Introduced-Revised

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2009</u> <u>Difference</u>	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>	<u>FY 2012</u> <u>Difference</u>	<u>FY 2013</u> <u>Difference</u>
Expenditures:					
General Fund	\$0	\$0	\$0	\$0	\$0
State Special Revenue	\$1,000,000	\$152,599	\$198,636	\$244,603	\$245,594
Revenue:					
General Fund	\$0	\$0	\$0	\$0	\$0
State Special Revenue (Transfer)	\$1,000,000	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$12,875	\$32,188	\$57,938
Net Impact-General Fund Balance	\$0	\$0	\$0	\$0	\$0

Description of fiscal impact:

A one-time-only transfer of \$1 million would be taken from the motor vehicle recycling and disposal program and deposited into a new state special revenue revolving loan program to fund recycling machinery and equipment. Loans would be taken out of that account as well as administration fees, and those loans would eventually be paid back over eight years time, on average. Expenditures from the account would be \$152,599 in FY 2010 increasing to \$245,594 in FY 2013 with most of that amount being from the loans themselves. Revenues would be from incoming loan repayments (including interest) and would start at \$12,875 in FY 2011 and increase to \$57,938 in FY 2013. Revenues would continue to increase over time and eventually equal the loans paid out.

FISCAL ANALYSIS

Assumptions:

Department of Environmental Quality (DEQ)

1. There will be a one time only transfer of \$1 million in FY 2009 from the Motor Vehicle Recycling and Disposal Program and deposited into the Revolving Loan Program (Loan Program).
2. The loan program, which would fund recycling machinery and equipment, would be administered by the Department of Environmental Quality's Energy and Pollution Prevention Bureau (EPPB).
3. Starting in FY 2010, \$100,000 would be loaned out, \$150,000 in FY 2011, \$200,000 in FY 2012, and \$200,000 in the years after.
4. On average each year, 60% of the loans would be for \$15,000, 20% would be for \$35,000, and 20% would be for \$50,000. About five loans would be made in FY 2010, about eight in FY 2011, and about ten every year thereafter.
5. The interest rate on all loans would be 3%.
6. Twelve and one-half percent (12.5%) of the loan principal from all loans would be paid off each year plus all interest, so that loans would be paid off in eight years time on average.
7. Administrative costs, not to exceed \$75,000 annually, would be initially taken out of the \$1,000,000 amount before any loans were made. These costs (not including start up costs) increase at an inflationary rate of 2.5% and would be taken out each year from the remaining balance in the account.
8. For the administrative purposes of this program, a 0.50 FTE, Environmental Specialist and related operating costs, would be needed in the EPPB.
9. To help administer the loans, EPPB would pay a contractor a fee of \$10,000 for the first two years and \$5,000 the next two years, and \$350 per loan after that.
10. Rule writing would be done by EPPB with the FTE proposed.
11. Administrative costs would total \$52,599 in FY 2010, \$48,636 in FY 2011, \$44,603 in FY 2012, and \$45,594 in FY 2013.

	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<u>Fiscal Impact:</u>					
FTE	0.00	0.50	0.50	0.50	0.50
<u>Expenditures:</u>					
Personal Services	\$0	\$22,886	\$23,458	\$24,044	\$24,645
Operating Expenses	\$0	\$29,713	\$25,178	\$20,559	\$20,949
Loans		\$100,000	\$150,000	\$200,000	\$200,000
Transfers	\$1,000,000				
TOTAL Expenditures	<u>\$1,000,000</u>	<u>\$152,599</u>	<u>\$198,636</u>	<u>\$244,603</u>	<u>\$245,594</u>

Funding of Expenditures:

General Fund (01)	\$0	\$0	\$0	\$0	\$0
Recycling Equipment Fund (02)	\$0	\$152,599	\$198,636	\$244,603	\$245,594
Recycling and Disposal Fund (03)	\$1,000,000	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	<u>\$1,000,000</u>	<u>\$152,599</u>	<u>\$198,636</u>	<u>\$244,603</u>	<u>\$245,594</u>

Revenues:

General Fund (01)	\$0	\$0	\$0	\$0	\$0
Recycling Equipment Fund (02)	\$1,000,000	\$0	\$12,875	\$32,188	\$57,938
Rec and Disposal Fund Transfer	\$0	\$0	\$0	\$0	\$0
TOTAL Revenues	<u>\$1,000,000</u>	<u>\$0</u>	<u>\$12,875</u>	<u>\$32,188</u>	<u>\$57,938</u>

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	\$0	\$0	\$0	\$0	\$0
Recycling Equipment Fund (02)	\$1,000,000	(\$152,599)	(\$185,761)	(\$212,415)	(\$187,656)
Recycling and Disposal Fund (03)	(\$1,000,000)	\$0	\$0	\$0	\$0

Effect on County or Other Local Revenues or Expenditures:

1. No impacts to local government entities anticipated in the near future. Grants to the counties totaling approximately \$1.4 million from the junk vehicle (JV) program fund will not be adversely impacted in FY 2010 and FY 2011 as the projected FY 2009 year end fund balance is projected to be sufficient to cover obligations.
2. There are no negative impacts anticipated to the solvency of the current JV program fund balance in FY 2010 and possibly FY 2011. High steel prices in FY 2008 and early FY 2009 generated substantial revenue to the JV program from crushing contracts.
3. It is anticipated that by transferring money made from high metals recycling into this loan account, local business or government could potentially expand recycling market participation and reduce waste disposal costs.

Long-Term Impacts:

1. By FY 2019, revenues consisting of loan payments would be about equal to loans being paid out.
2. The fund will not be sufficient to make loans at the \$200,000 level annually beginning in FY 2015. In order for the fund to remain solvent, the amount of the loans would need to be decreased or additional revenue would be needed.
3. Metal prices on the commodity markets are now at an all time low and revenue from future crushing contracts is not anticipated to be a source of significant revenue to the JV program in the next biennium. Long term impacts to county JV programs beyond FY 2012 could occur if revenue continues to decline and there are no reserve funds to supplement the annual general fund transfer to the JV program.

Technical Notes:

1. Section 1(3) and section 2(2) conflict. Section 1(3) indicates that money appropriated from the recycling equipment revolving loan account must remain in the account unless loaned. Section 1(3) indicates that the Department of Environmental Quality may pay administrative costs out of the account.
2. Section 4(2) transfers money into the recycling equipment revolving loan account for the 2009 biennium. However, the bill takes effect in the 2011 biennium.

Sponsor's Initials

Date

Budget Director's Initials

Date